

**SOUTHWEST'S LEASE OF TWO ADDITIONAL  
GATES AT LOVE FIELD WOULD MAXIMIZE ECONOMIC  
BENEFITS FOR THE DALLAS-FT WORTH METROPLEX**

**Analysis Prepared By:**



**March 2014**

**EXHIBIT 4**

Chart 1

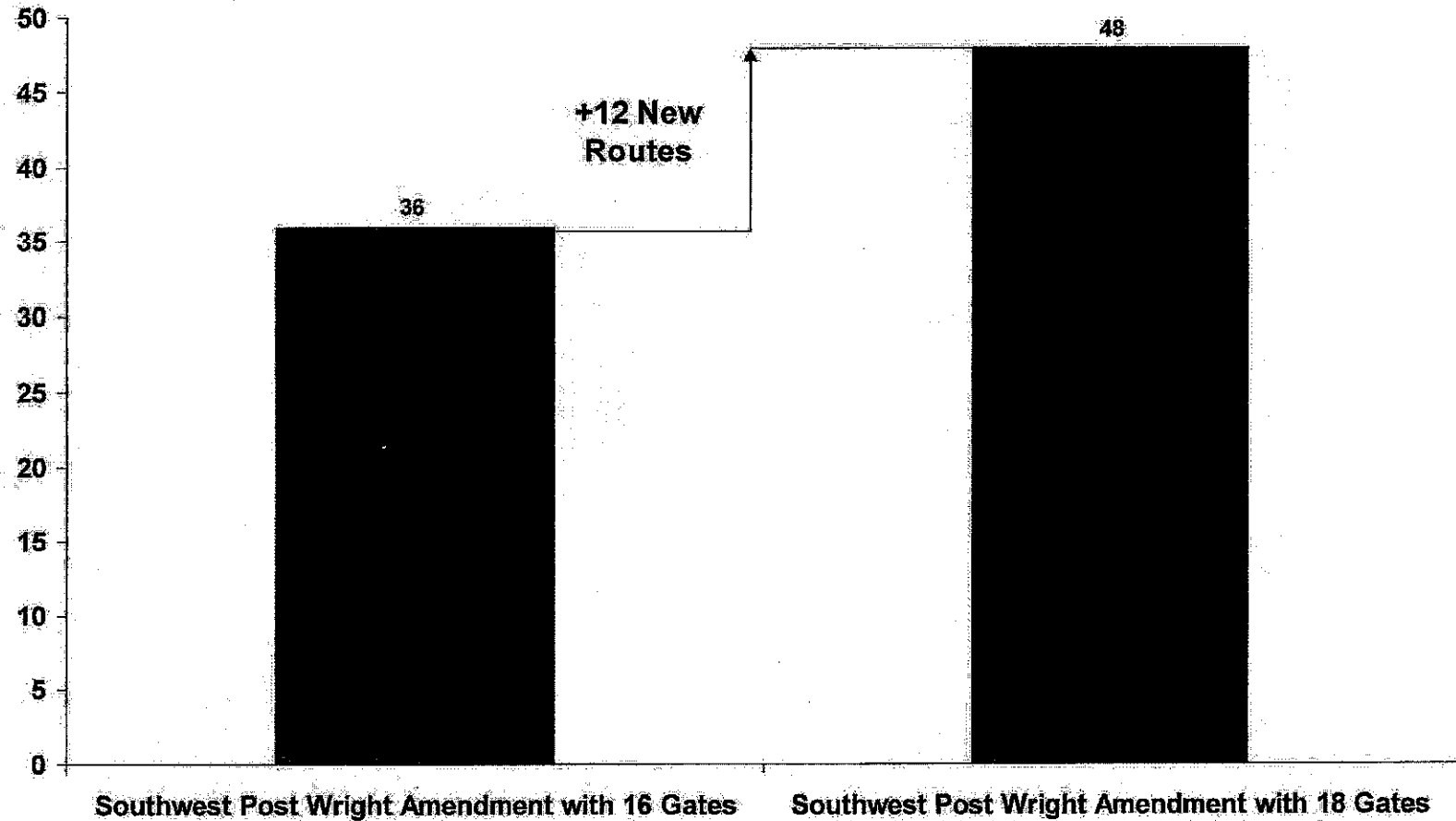
## **Southwest Would Provide Huge, and Unique Benefits to Dallas-Ft. Worth By Operating Two Additional Gates at Love Field (DAL)**

- **Access to two additional Love Field gates will enable Southwest to provide enormous benefits to the Dallas-Ft. Worth area and its residents:**
  - **20 additional daily roundtrip flights including service to 12 new markets from DAL**
  - **Reduction in airfares of nearly \$100 per roundtrip in the new DAL markets**
  - **1.4 million more passengers per year flying to and from Dallas**
  - **\$210 million in fare savings annually to Dallas residents and visitors**
  - **365,000 new visitors to the Dallas area annually who will spend money in the local economy generating 4,700 new jobs, \$214 million in annual earnings to local workers, and \$559 million in local sales per year.**
- **No other airline can come close to generating these benefits from leasing these two gates.**
- **Southwest is the only airline whose growth in Dallas is limited to Love Field. There is plenty of room for other low cost carriers and Delta to grow at DFW Airport.**

Chart 2

## Two Additional Gates at Love Field will Allow Southwest to Add 20 New Daily Flights - Providing Low Fare Service On 12 New Routes

Number of Planned Southwest Nonstop Routes from Love Field



Daily Southwest Roundtrips: 160

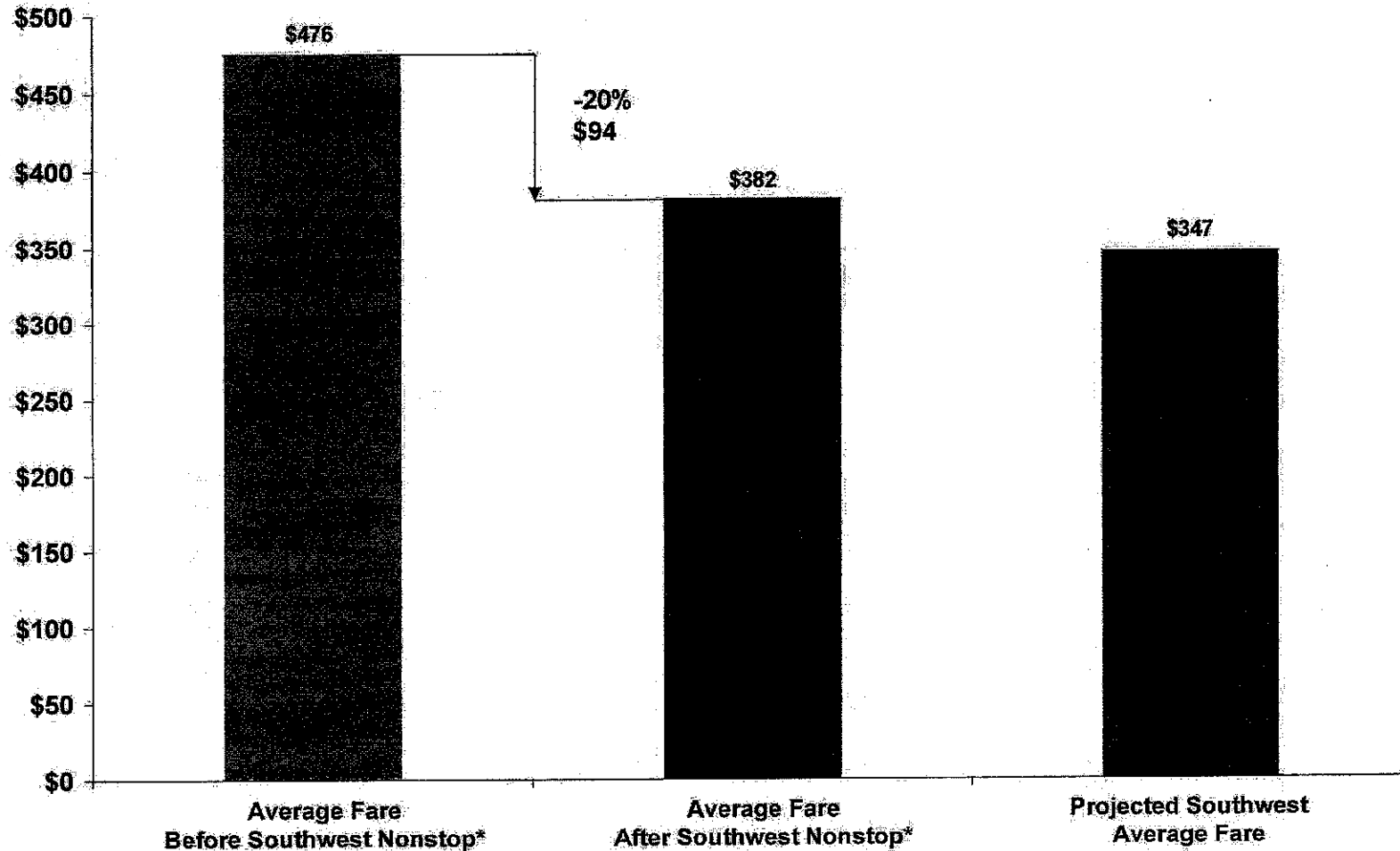
180

Source: Current and announced Southwest markets. See Appendix 1 for a list of markets to be served with two additional gates.

Chart 3

## Southwest's Service in 12 New Markets Using Two Additional Gates Would Decrease Roundtrip Fares by Nearly \$100

Average Roundtrip Fare in 12 New Markets Served with Two Additional Love Field Gates

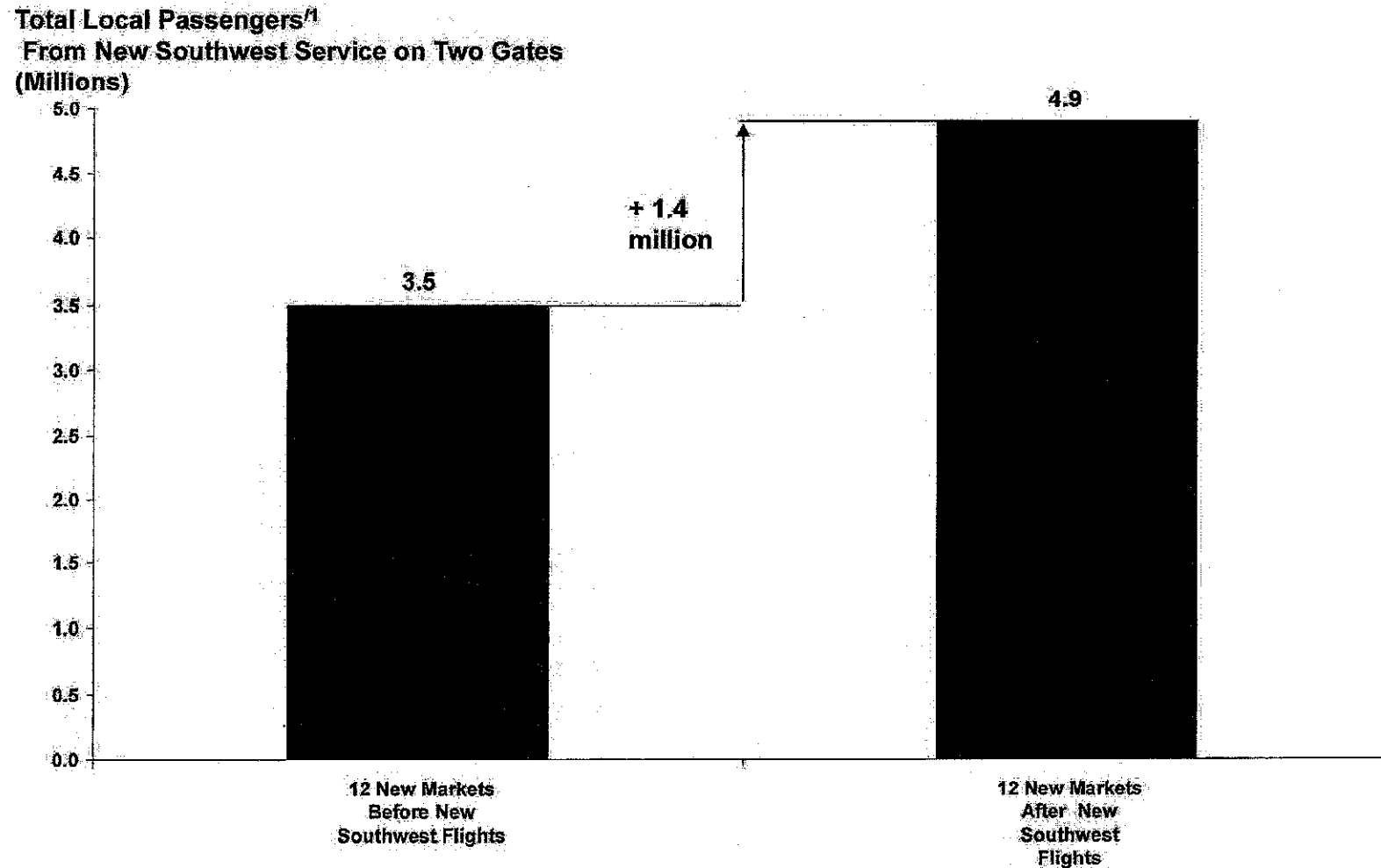


\* Average fare includes flights by all airlines from both DAL and DFW in the 12 new markets.

Source: Campbell-Hill Aviation Group analysis from DOT Origin-Destination Passenger Survey, YE Q3 2013, via Dilo. Includes baggage and cancellation fees but excludes other taxes/fees.

Chart 4

## Southwest Flights with Two Additional Gates Would Generate 1.4 Million More Local Passengers to and from Dallas



<sup>1/</sup> Local passengers are one-way passengers (a roundtrip passenger is counted as 2 local passengers).

Note: Includes O&D passengers in the 12 new markets where additional flights are added from the two new gates.

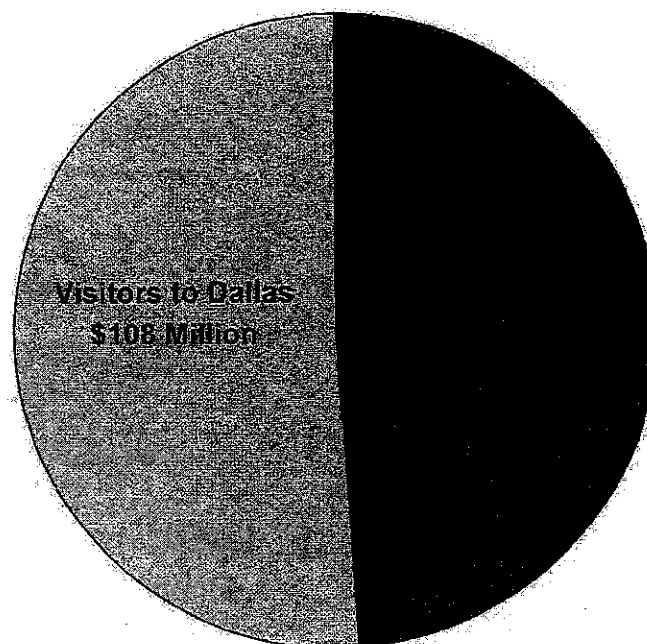
Source: Campbell-Hill Aviation Group Analysis. See Appendix 1 and 2.

Chart 5

## **Southwest's New Service on Two Additional Gates Would Generate Over \$200 Million in Annual Fare Savings for Dallas Passengers**

**Total Annual Dallas Fare Savings  
\$210 Million**

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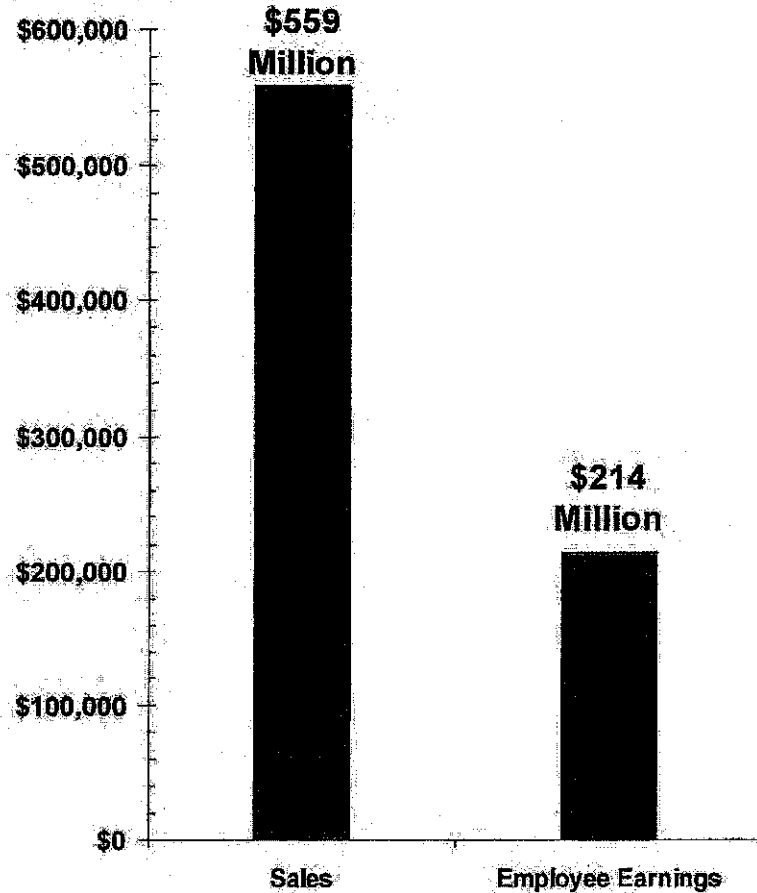
Note: Includes 12 New markets where additional flights are added from the two new gates.

Source: Campbell-Hill Aviation Group Analysis using a Consumer Surplus methodology. See Appendix 1 and 2.

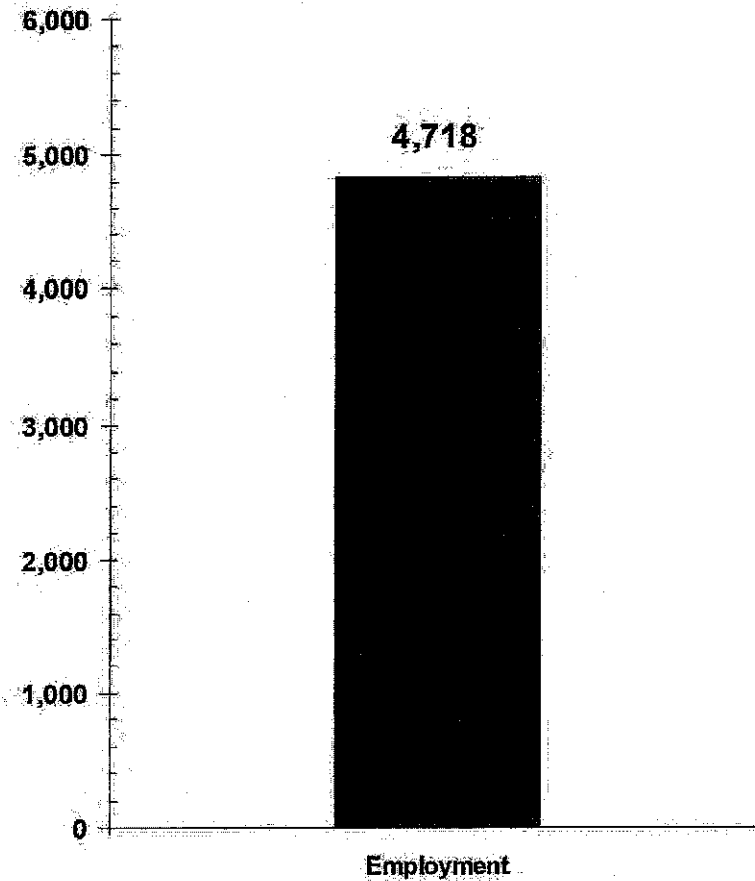
Chart 6

## Southwest's Service on Two Additional Gates Would Generate Major Economic Benefits to Dallas-Ft. Worth Including Over 4,700 New Jobs

Annual Economic Benefit to Dallas  
(Thousands)



Additional Jobs for Dallas



Note: Includes 12 new markets where additional flights are added from the two new gates. Economic impact estimates include the multiplier effect.

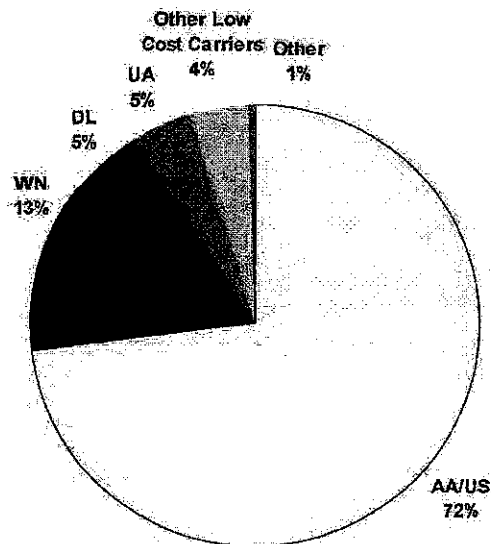
Source: Campbell-Hill Aviation Group Analysis. See Appendix 1, 2 and 3.

Chart 7

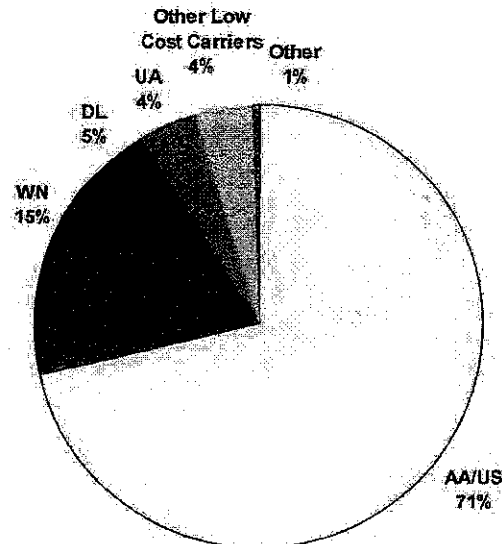
## With Two Additional Gates, Southwest Will Be A Stronger Competitor to American

### Share of Dallas-Ft. Worth Domestic Departures

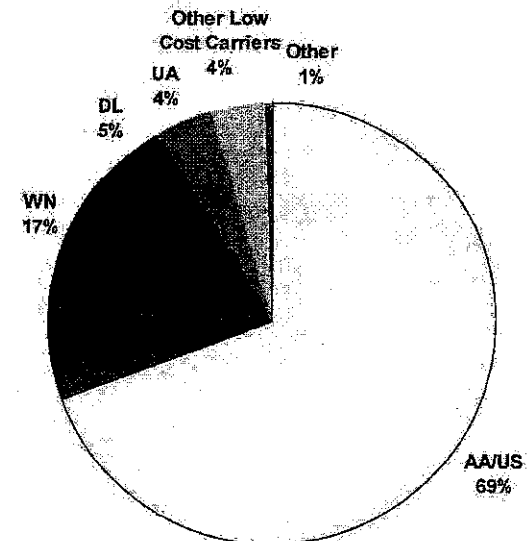
Current Schedule



Schedule Post Wright  
Amendment Expiration



Schedule Post Wright  
Amendment Expiration  
With 2 Additional Gates



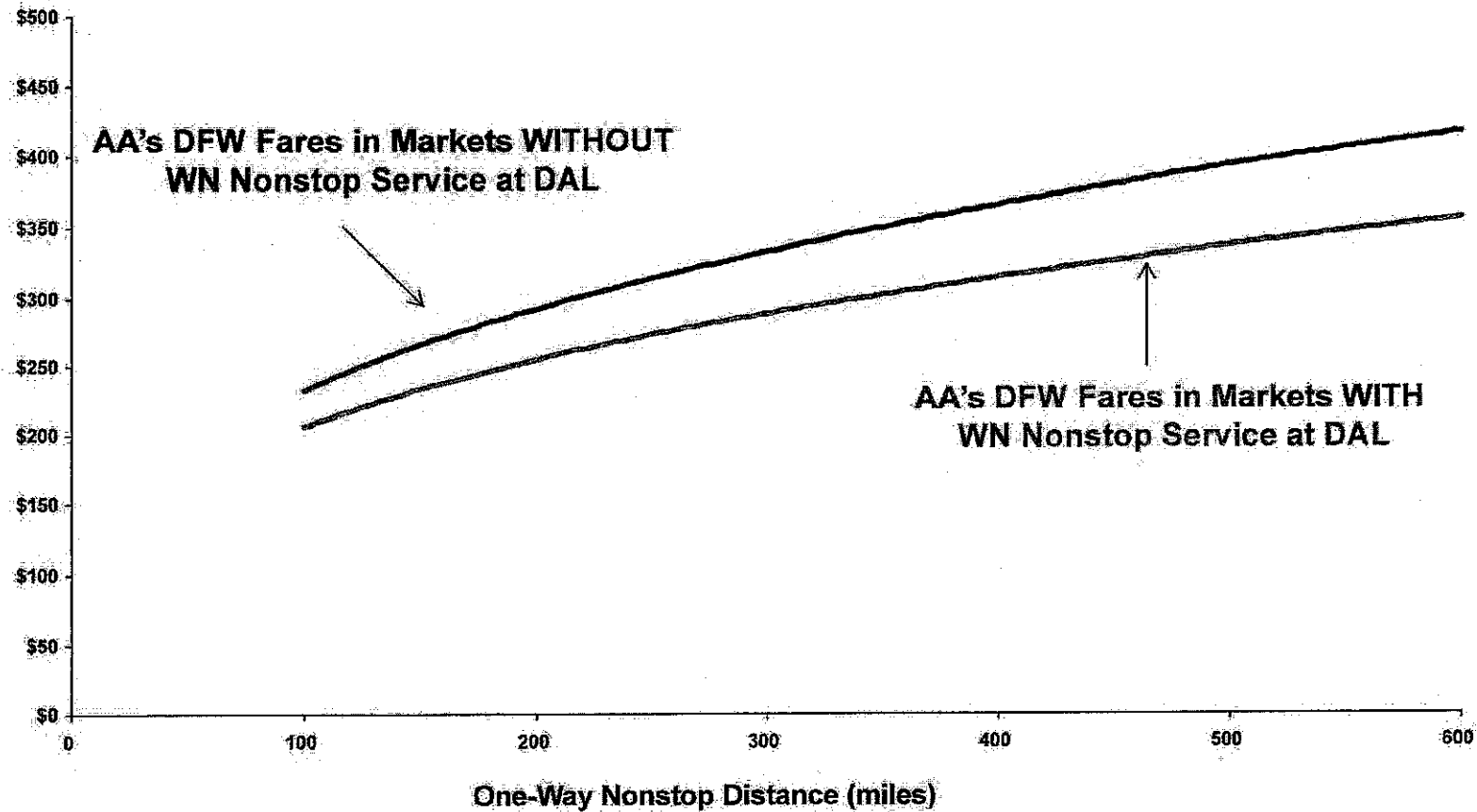
Source: Innovata Schedules for June 2014 and projections post-Wright Amendment from Southwest



Chart 8

## Southwest's Presence in Dallas Love Field Has Already Reduced American's Fares at DFW Significantly

**American DFW  
Roundtrip Fares  
(YE Q3 2013)**



Note: Calculated from yield curves (fare per mile). Average fare paid per mile excludes zero fare passengers (frequent flyer redemptions, etc.). Includes baggage and cancellation fees.  
Source: U.S. DOT Origin-Destination Passenger Survey, YE Q3 2013, via Dilo.

**Dallas Passengers Would Lose If Another Low Cost Carrier (LCC)  
Instead of Southwest Obtained the Two Available Love Field Gates**

### **Southwest Offers Superior Benefits Compared to Other LCCs**

- **Southwest's large Dallas presence will allow it to offer more new destinations with the two gates than other low cost carriers.**
- **Southwest is much more committed to Dallas than any other LCC, and has a much larger route network to offer Dallas passengers.**
- **Other low cost carriers would use the gates less efficiently (they all have lower gate utilization at DFW than Southwest has at DAL).**
- **Most low cost carriers already serve DFW to their focus cities, so serving them from DAL would be duplicative, offering little benefit to Dallas passengers.**
- **Virgin America is offering very little to Dallas passengers – it would serve only 3 new markets with 12 flights from Love Field. Southwest will serve 12 new markets with 20 flights.**

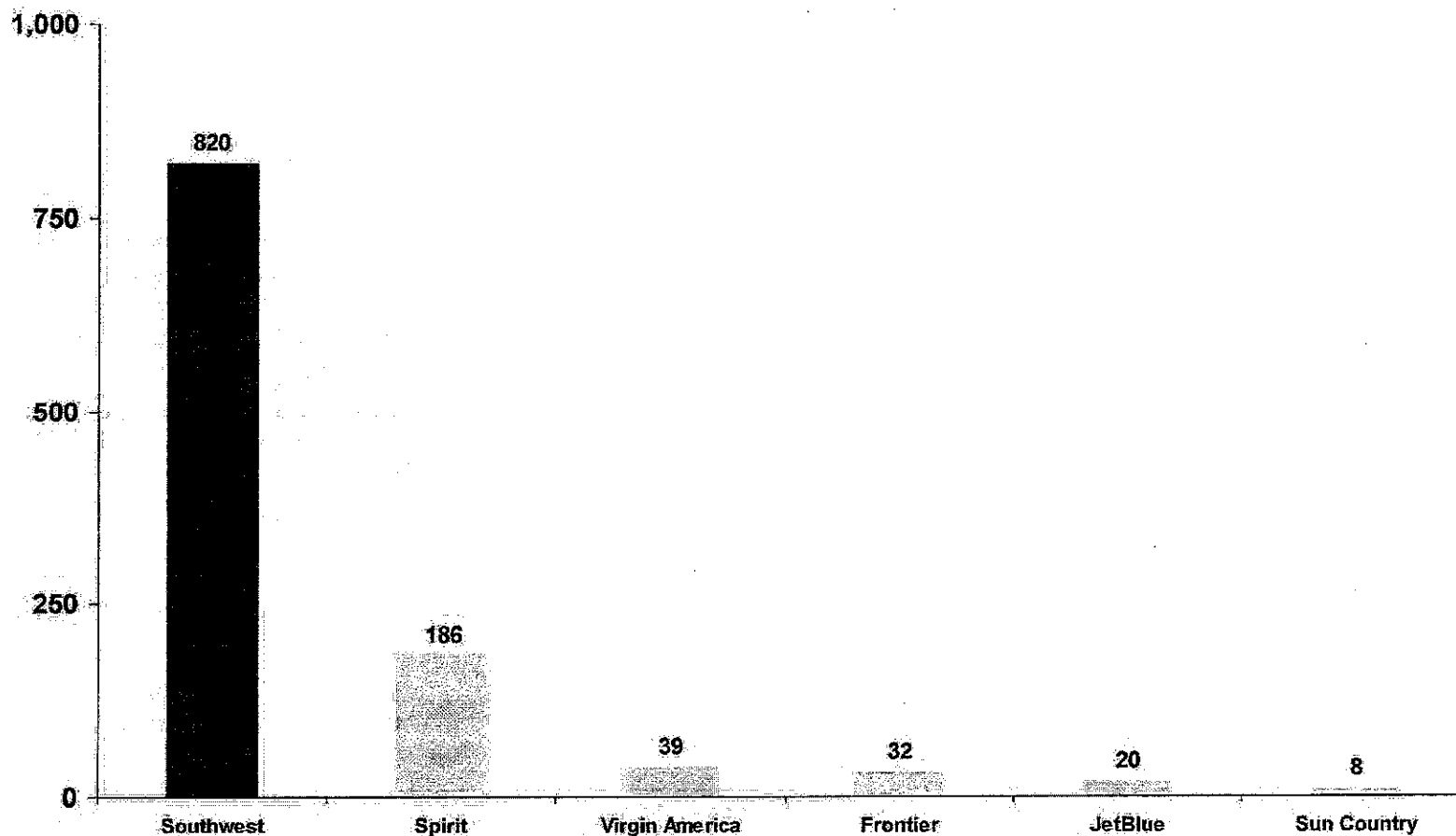
— Existing Love Field Markets  
 — New Love Field Markets Served with Current 16 Gates  
 - - - - New Southwest Love Field Markets Served With Two Additional Gates

Source: Innovata schedule data for July 2014 and announced new service. Appendix 1.

Chart 11

## Southwest is More Committed to Dallas- Ft. Worth than Any Other Low Cost Carrier

Weekly DAL/DFW  
Departures

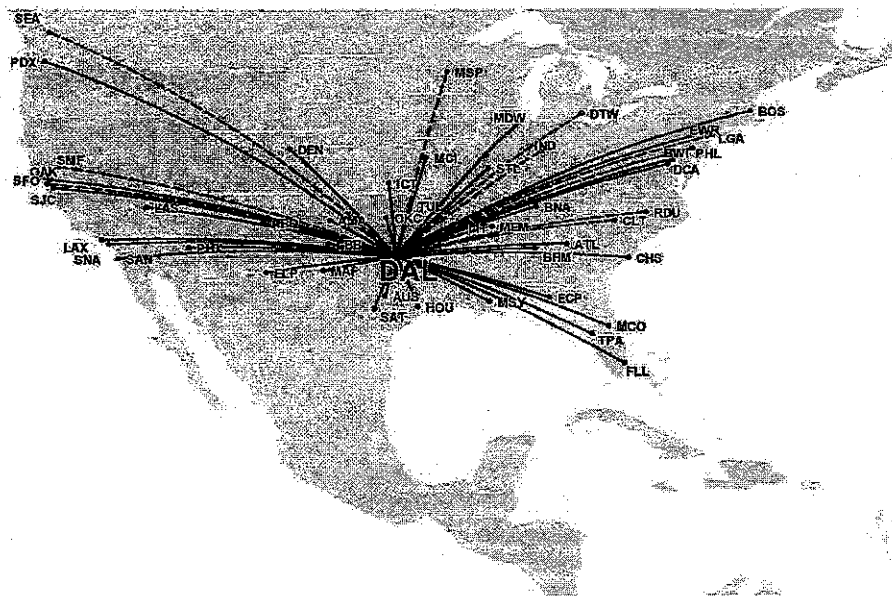


Source: Innovata Schedules, June 2014. All LCCs except Southwest serve Dallas from DFW Airport.

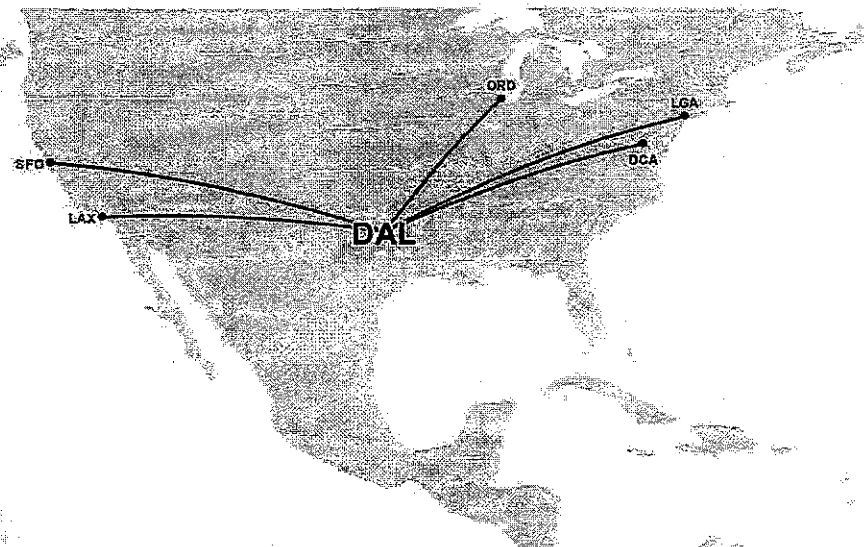
Chart 12

## Southwest Will Serve All Five Markets Proposed by Virgin America, and Much More

**Southwest Existing and Proposed Service**



**Virgin America**



**Southwest will serve 12 additional  
DAL markets if it acquires the two  
Love Field gates**

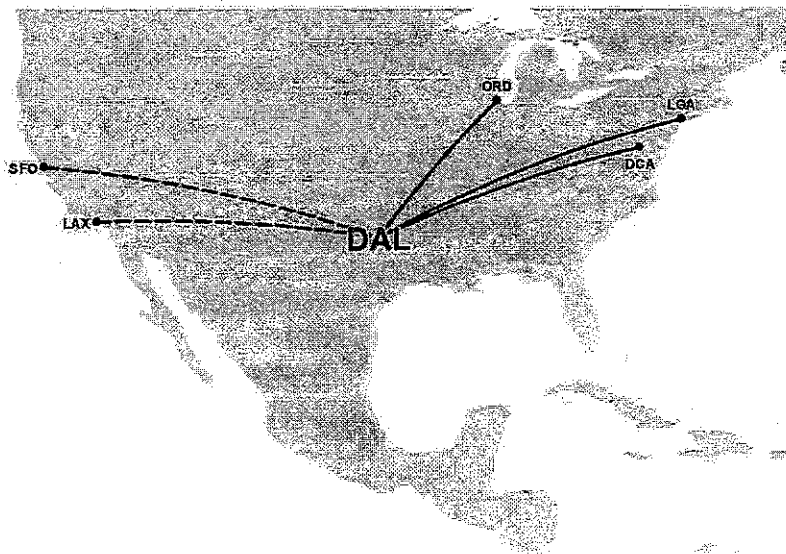
- Existing Southwest Love Field Markets
- - - New Love Field Markets Served with Current 16 Gates
- . . . New Southwest Love Field Markets Served With Two Additional Gates
- Announced Virgin America Love Field Markets

Source: Innovata schedule data for July 2014 and announced new service.

Chart 13

## Virgin America Would Add Only 3 New Markets and 12 Flights by Moving to Love Field – It Already Serves LAX and SFO from DFW

### Virgin America



Destination	DFW Daily Departures	Proposed DAL 2015 Daily Departures	Net New Dallas Departures
Los Angeles (LAX)	3	4	1
San Francisco (SFO)	3	4	1
Washington (DCA)		4	4
New York (LGA)		4	4
Chicago (ORD)		2	2
Total	6	18	12

———— Announced New Virgin America Love Field Market

- - - - Virgin America Moving from DFW to Love Field

Source: Innovata schedule data for July 2014 and announced new service.

Chart 14

## The Five Markets Proposed by Virgin America Are Already Well Served from DFW

Destination	Daily DFW Service on July 16, 2014		Market to be Served By Southwest at DAL
	Departures	Seat-Departures	
Washington (DCA)	11	1,550	<input type="checkbox"/>
Washington Area	25	3,398	
Los Angeles (LAX)	26	3,617	<input type="checkbox"/>
Los Angeles Area	40	5,677	
New York (LGA)	23	2,839	<input type="checkbox"/>
New York Area	37	4,537	
Chicago (ORD)	28	3,551	<input type="checkbox"/>
Chicago Area	28	3,551	
San Francisco (SFO)	18	2,394	<input type="checkbox"/>
Bay Area	24	3,272	

**CONCLUSION: Virgin America is Not Proposing Anything New**

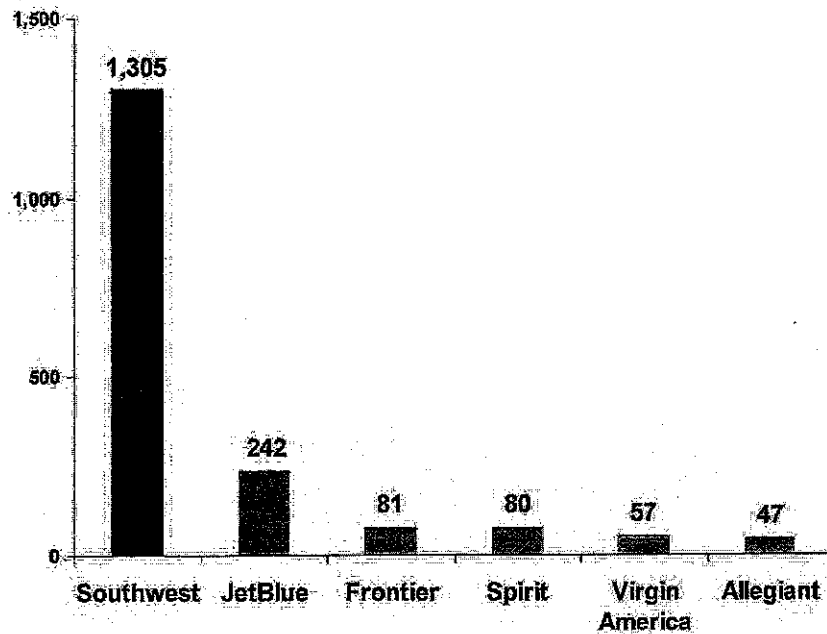
Source: Innovata schedule data for a Wednesday in July 2014.



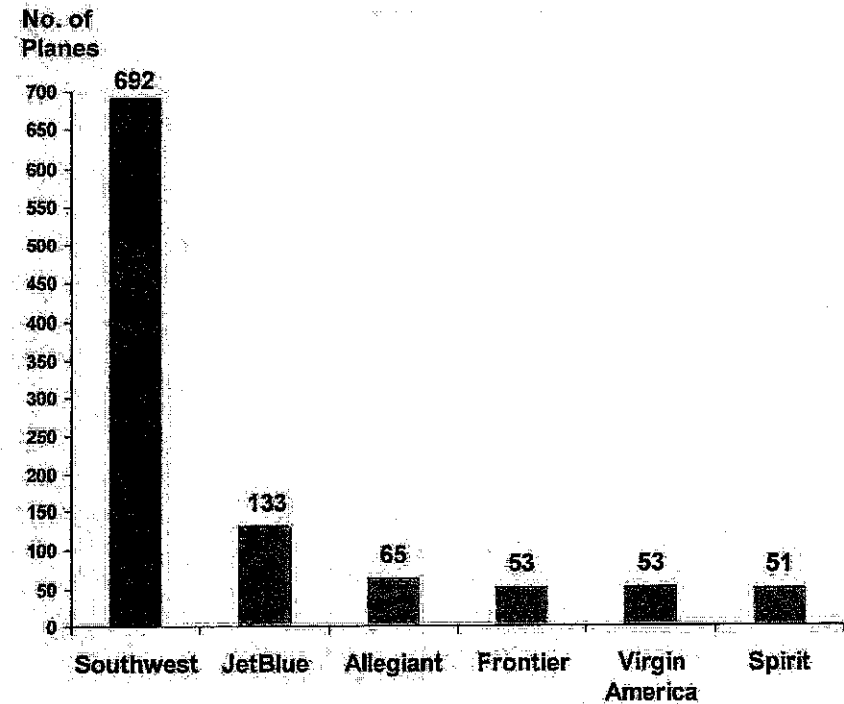
Chart 15

## Southwest's Domestic Network Is Significantly Larger than All Other Low Cost Carriers

Annual Domestic Flights (In Thousands)



Size of Aircraft Fleet



Source: December 2013 aircraft fleets and Innovata Schedule Data, CY 2013. Fleets limited to mainline (large) aircraft.

**Dallas Passengers Would Lose If Delta Instead of Southwest  
Obtained the Two Available Love Field Gates**

Chart 16

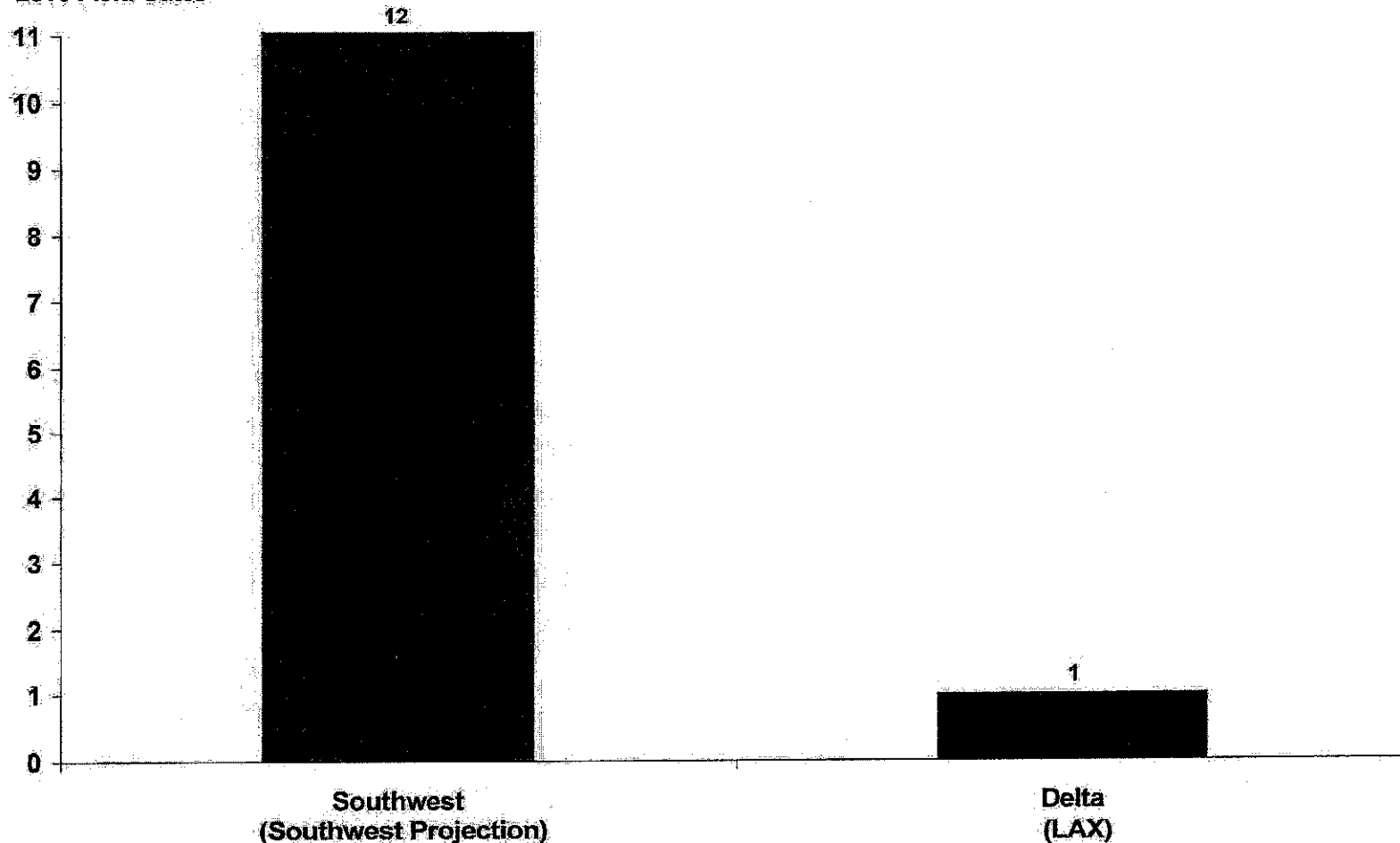
## **Delta's Proposed Use of the Two Love Field Gates is Far Inferior to Southwest's Proposal**

- **Delta would duplicate much of the service it already operates at DFW - creating little benefit to Dallas passengers (only one new Delta market).**
- **Delta's Dallas fares are in line with American's fares and significantly higher than Southwest's.**
- **Delta dismantled its hub at DFW in 2005. It now carries only half of the Dallas passengers it carried in 1990. Dallas is not a focal market for Delta.**
- **With two additional gates Southwest will operate 12 new routes compared to only one new route for Delta.**
- **Southwest would provide 18% more flights than Delta with the two gates.**
- **Southwest would fly significantly larger aircraft than Delta – an average of 159 seats vs. 85 seats - providing 1.27 million more seats per year than Delta on the two gates.**

Chart 17

**Southwest Would Offer *Low Fare Service* In 12 New Nonstop Markets if It Obtains Two Additional Gates – Delta Would Offer *High Fare Service* in Just One Market That It Does Not Already Serve from DFW**

New Destinations for Each Carrier with Two Additional Love Field Gates

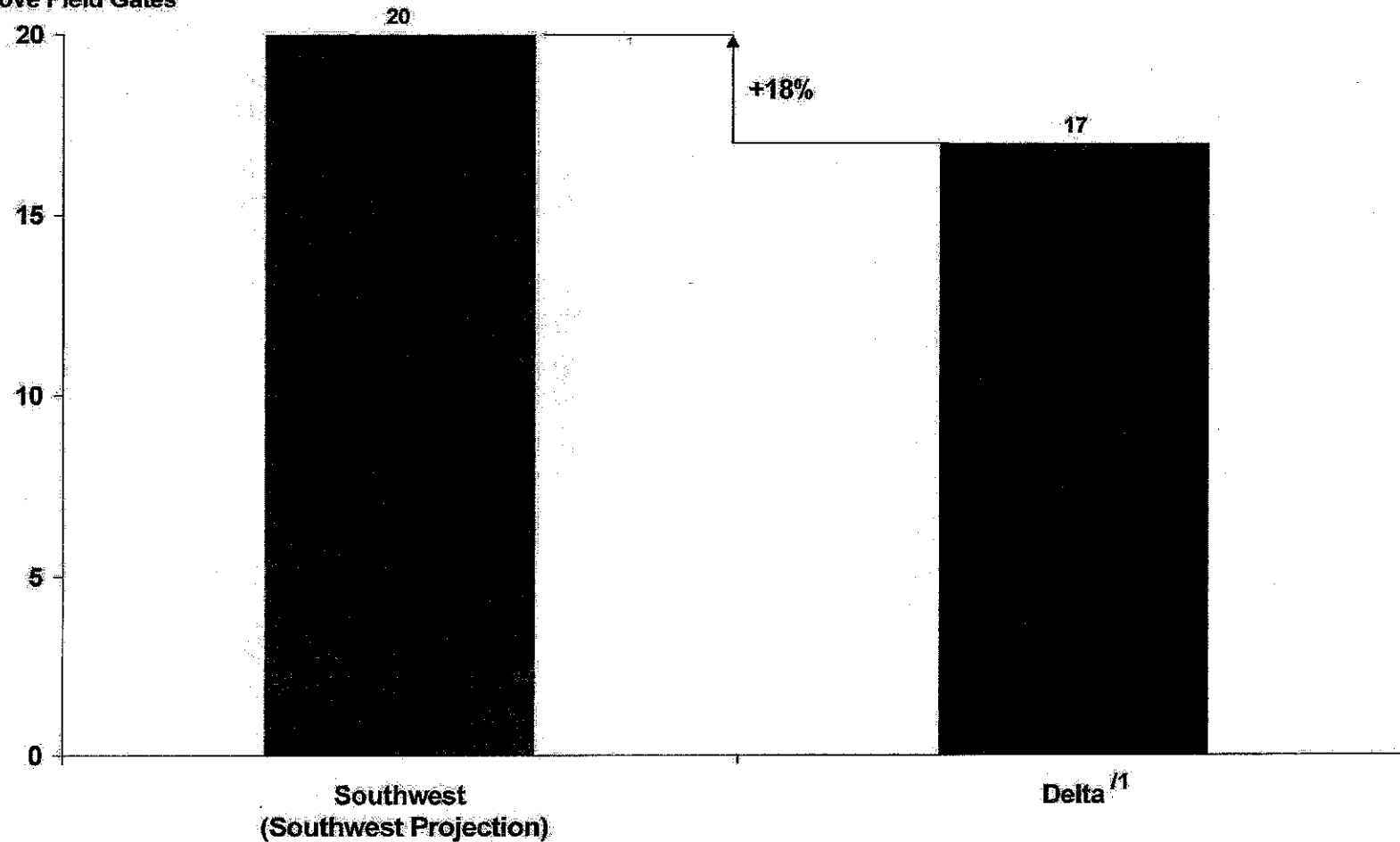


Source: Appendix 1 and published schedules for Delta.

Chart 18

## Southwest Would Offer 18% More Flights than Delta on Two Additional Love Field Gates

Forecast Additional  
Daily Departures  
with Two Additional  
Love Field Gates

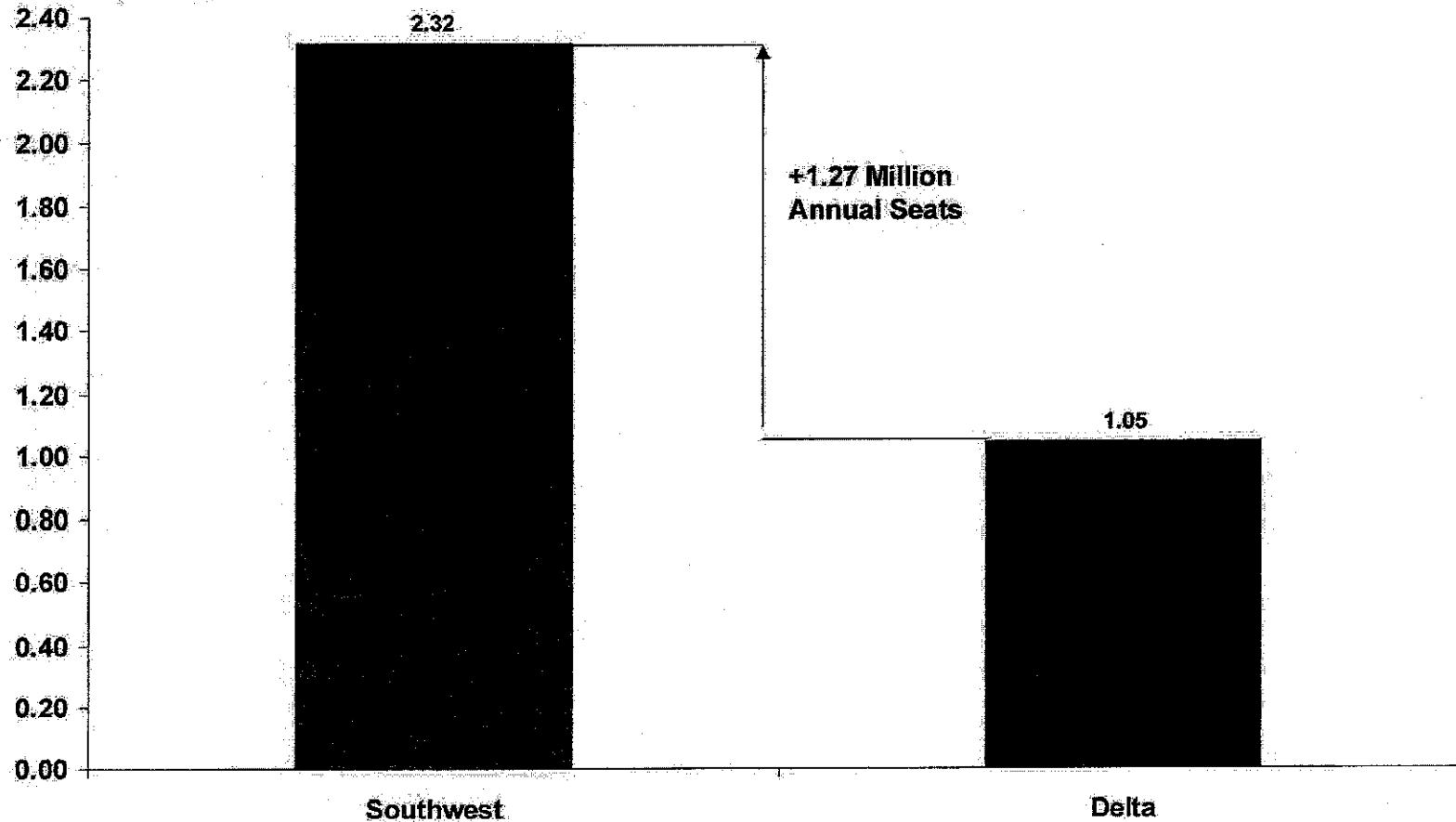


<sup>1/</sup> Additional DAL Departures from Delta published schedules assuming it obtains two DAL gates.  
Source: Appendix 1 and published schedules for Delta.

Chart 19

## Southwest Would Offer More than Twice As Many Seats for Dallas Passengers As Delta on Two Additional Love Field Gates

Annual One-Way Seats with Two Additional Love Field Gates <sup>1/</sup>  
(Millions)



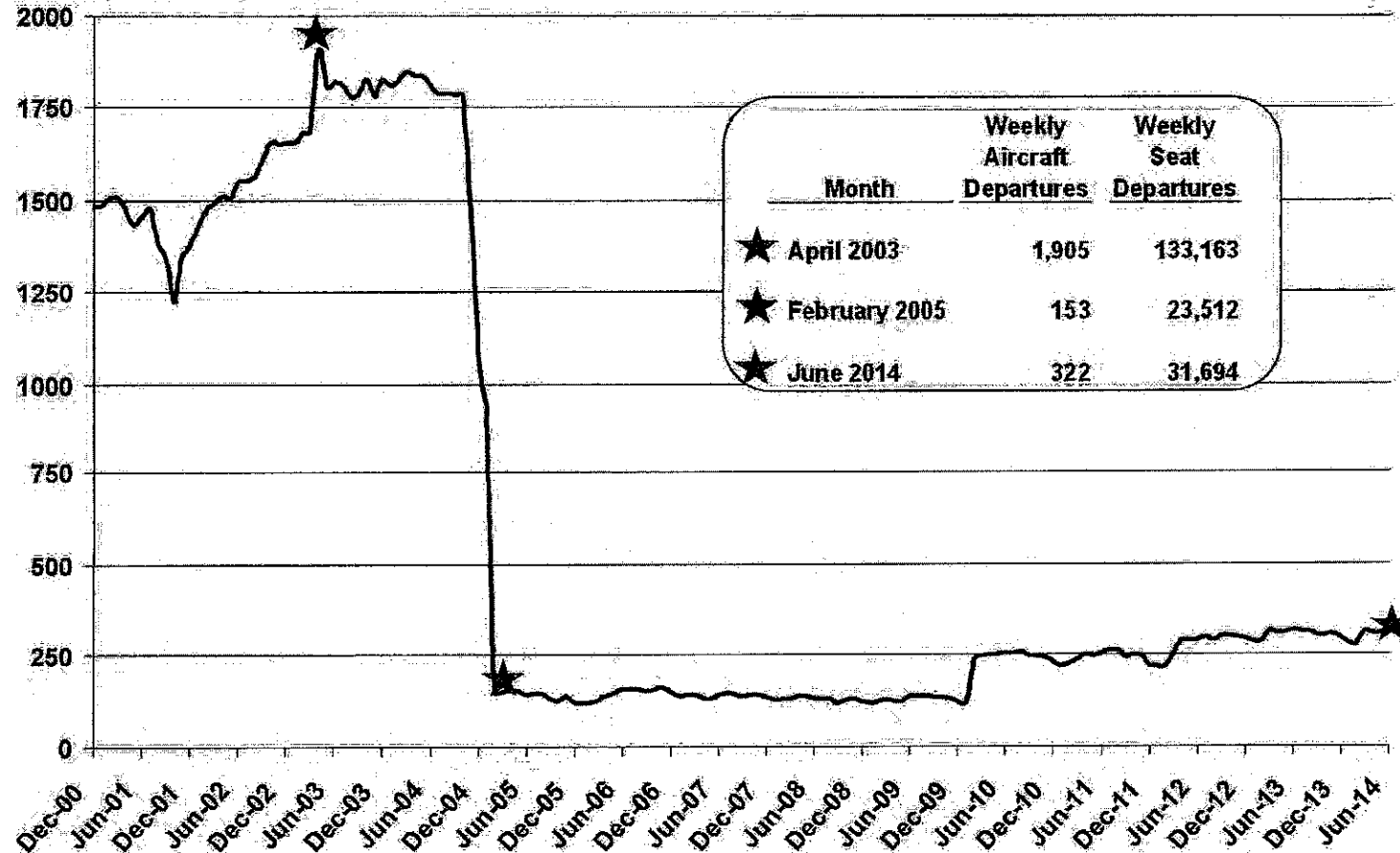
<sup>1/</sup> Assumes Southwest's average aircraft size is 159 seats (average of its B737-700 and B737-800 aircraft with 143 and 175 seats respectively). Delta's average aircraft size at DAL in the published November 2014 schedules is 85 seats. Total new seats are calculated by multiplying Departures x Average Aircraft Size x 2 directions.

Source: Appendix 1 and published schedules for Delta.

Chart 20

## Delta Failed in Its Attempt to Make DFW a Hub – Dallas is Not a Focal Market for Delta

Weekly Delta  
Departures  
from Dallas (DFW/DAL)

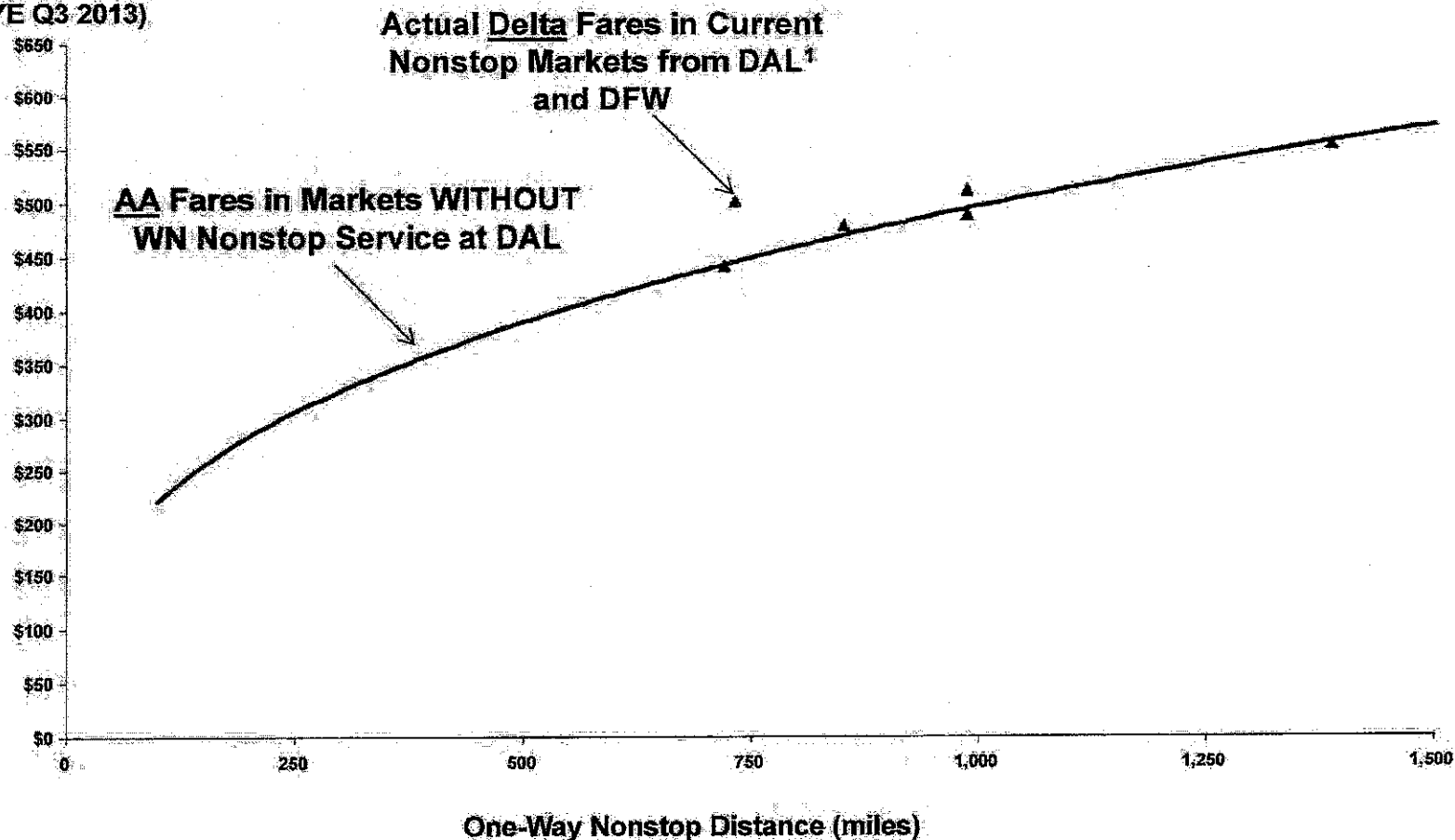


Source: Innovata Schedule Data.

Chart 21

# **Delta Offers No Price Competition: Its Dallas Fares Are As High As American's When It Does Not Face Nonstop Competition from Southwest**

American DFW  
Roundtrip Fare  
(YE Q3 2013)



<sup>1/</sup> Atlanta is the only market currently served by Delta at DAL.

Note: Calculated from yield curves (fare per mile). Average fare paid per mile excludes zero fare passengers (frequent flyer redemptions, etc.). Includes baggage and cancellation fees but excludes taxes.

Source: U.S. DOT Origin-Destination Passenger Survey, YE Q3 2013, via Diigo.



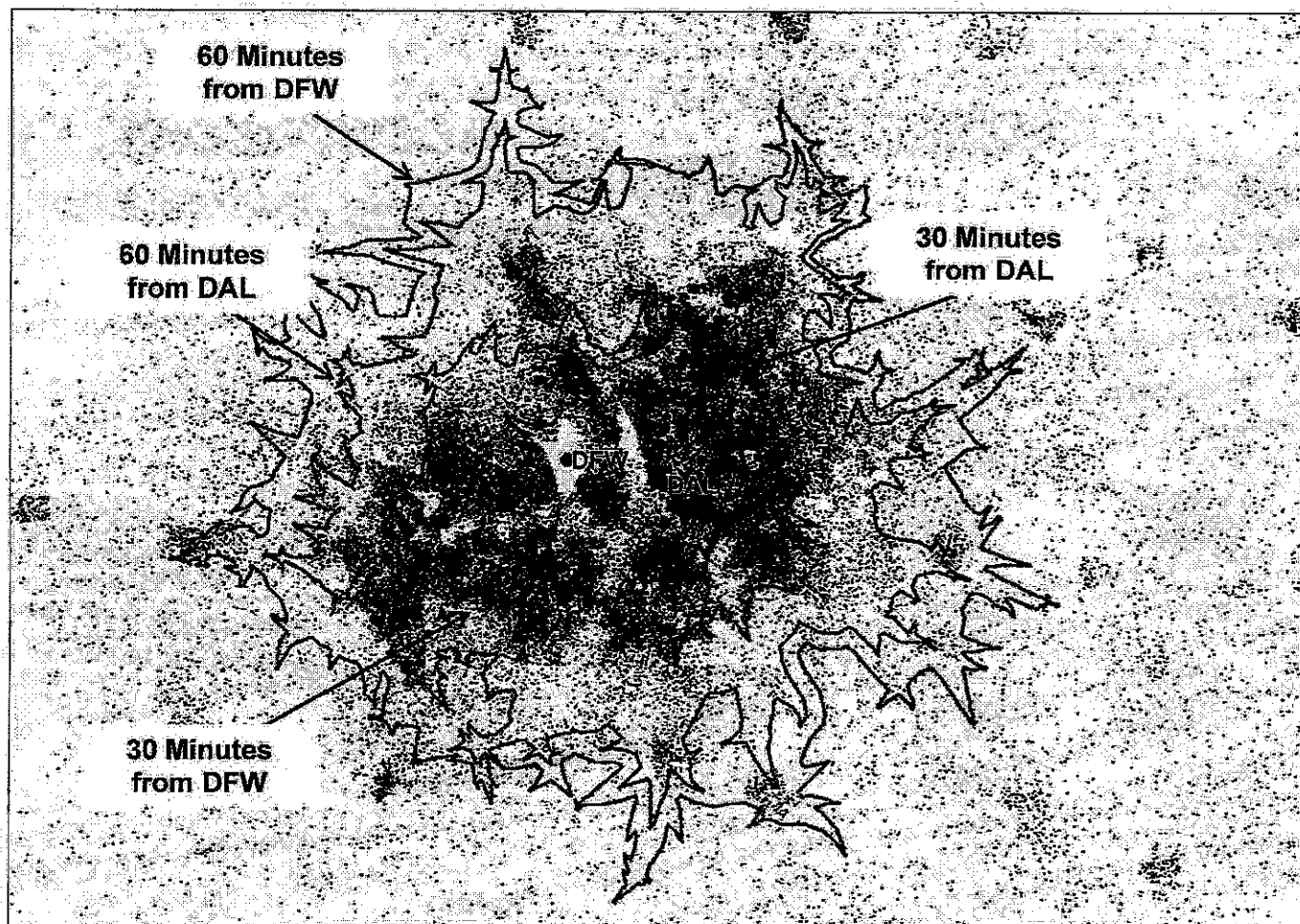
Chart 22

## **The Dallas-Ft. Worth Metroplex is a Single Aviation Market Served by Two Airports**

- **Both DFW Airport and Dallas Love Field Serve the Same North Texas Area.**
- **All Carriers Can Expand in this Market by Adding Flights at DFW Airport – Except Southwest.**
- **Southwest is the Only Airline Whose Growth is Limited to Love Field.**
- **Even with Two Additional Gates at Love Field, Southwest will have Only 10% of the Total Gates in the Dallas-Ft. Worth Market.**
- **Only Southwest's proposal for the Two Love Field Gates will Allow All Three Airlines – Southwest, Delta, and Virgin – to Grow in the Dallas-Ft. Worth Market.**

Chart 23

## DFW Airport and Love Field Serve the Same North Texas Market



Note: 1 dot represents 100 residents.

Source: U.S. Bureau of the Census, 2010 Demographic Profile

Chart 24

## **Southwest is the Only Airline Whose Growth in Dallas is Limited to Love Field**

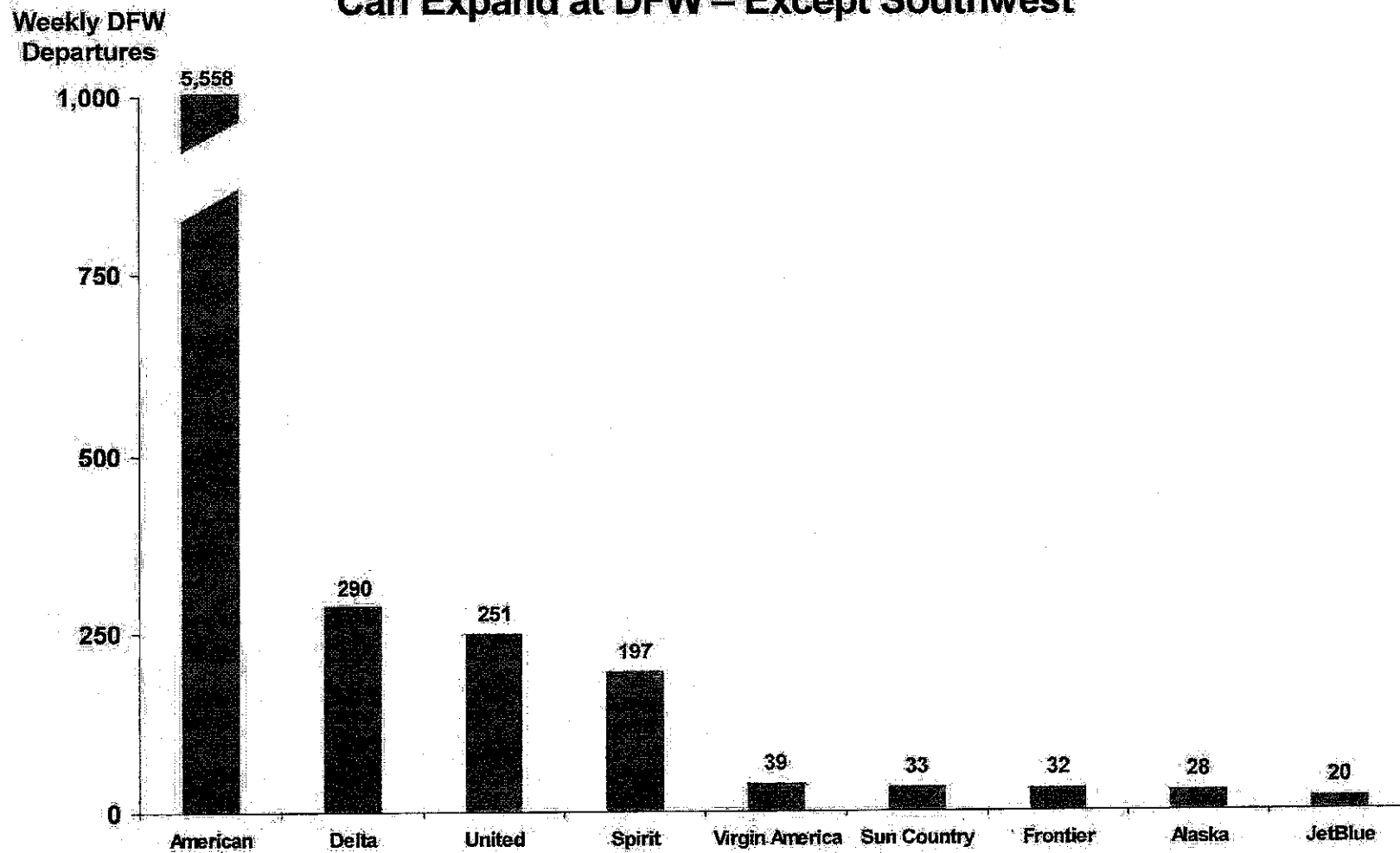
"If Southwest Airlines or its affiliate or code share partner...chooses to operate passenger service from another airport within an 80-mile radius of Love Field in addition to its operations at Love Field, then for every such gate which Southwest Airlines, its affiliate or code share partner, operates or uses at another airport within this radius, Southwest Airlines will voluntarily relinquish control of an equivalent number of gates at Love Field, up to 8 gates and such gates shall be made available to other carriers."

- Five Party Agreement to Resolve Wright Amendment Issues, July 11, 2006, Article 1, Para. 10

Southwest will not trade gates at Love Field for gates at DFW under any foreseeable circumstance

Chart 25

## All Carriers Serving the Dallas/Ft. Worth Market Can Expand at DFW – Except Southwest

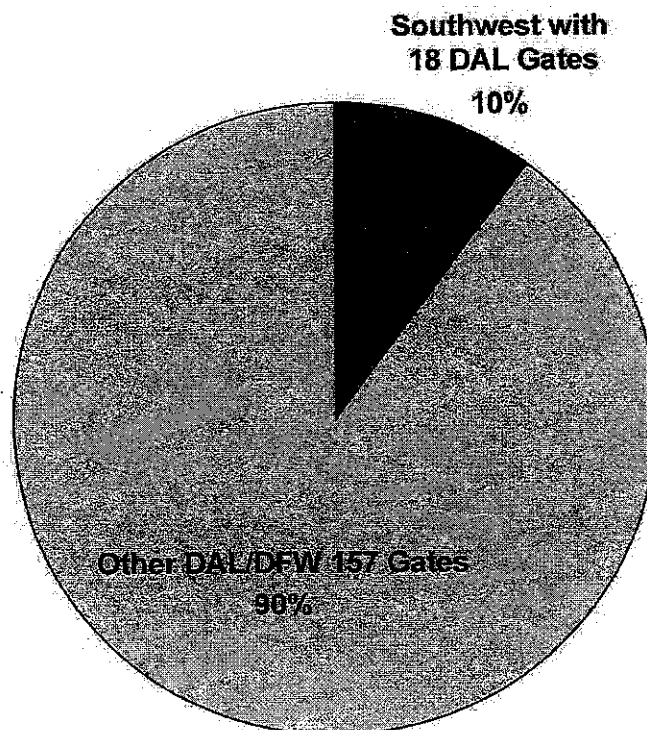


Source: Innovata Schedules, June 2014.

Chart 26

**With 18 Love Field gates Southwest Will  
Have Only 10% of Total Gates in the Dallas-Ft. Worth Market**

**Total Gates in the  
Dallas-Ft. Worth Market= 175**



**DFW Airport Has 155 Gates and Dallas  
Love Field Has 20 – Total is 175**

Source: Airport websites.

## **Appendices**

Appendix 1

## Proposed 12 New Markets to Be Served By Southwest With Two Additional Gates at Love Field

	<u>Daily Roundtrips</u>
Charlotte (CLT)	2
Charleston (CHS)	1
Detroit (DTW)	2
Indianapolis (IND)	2
Memphis (MEM)	2
Minneapolis/St. Paul (MSP)	2
Newark (EWR)	2
Philadelphia (PHL)	2
Raleigh/Durham (RDU)	1
Sacramento (SMF)	1
San Francisco (SFO)	2
Seattle (SEA)	1
	<hr/> 20

Source: Southwest Airlines.

## **Consumer Benefit Methodology Summary**

- **The Campbell-Hill Aviation Group estimated the consumer benefits generated by Southwest obtaining two additional DAL gates using a standard Consumer Surplus methodology that calculates fare savings for existing passengers, as well as benefits for new passengers generated as a result of the Southwest service and fares. This method is a standard that has been used in many Southwest Airlines' presentations to the U.S. Department of Transportation and the U.S. Department of Justice.**
- **Southwest provided Campbell-Hill information on the incremental flights by market that would be added with two additional Love Field gates.**
- **The new Southwest service would generate new passengers by causing fares to decline in the markets it adds, and by adding better service options (more nonstop flights). This has occurred often in history and the U.S. DOT has labeled it the "Southwest Effect." Campbell-Hill estimated the service stimulation using a standard QSI model. Fares after Southwest service were calculated using current relationships between Southwest fares and competitor fares in markets where it has nonstop service today. Fare stimulation was calculated assuming a price elasticity of -1.2.**



## **Economic Impact Methodology Summary**

- **New Visitors were calculated by Campbell-Hill using the methodology described in Appendix 2.**
- **The average expenditure per new visitor trip was estimated using 2009 factors developed in a 2011 Houston Airports System (HAS) economic impact study. The average expenditures of \$935.14 per trip for business visitors and \$435.86 for leisure visitors were weighted using an internal Southwest estimate for business/leisure split for Dallas of 49%/51%. The final estimate of \$725.21 per visitor-trip included an update to 2013 price levels (at 6.6% based on GDP price deflator). Total visitor expenditure impacts combines the 365,000 new visitors with the average expenditure per visitor.**
- **Earnings and employment impacts were based on 2012 Texas Tourism data for the Dallas-Plano-Irving metro area using a ratio of payroll-to-total spending impacts (39%) and average earnings per employee of \$41,366 (updated to 2013 price levels at 1.5%).**
- **Total output, earnings and employment impacts were calculated using multipliers also developed from the HAS 2011 economic impact study.**

**Delta's Proposed Use of the Two Additional Gates Offers  
Only One New Route for Dallas –  
It Already Serves the Others from DFW**

	Daily Dallas Departures				
	Current Delta at DAL	Delta Proposal with 2 DAL Gates			Delta at DFW
Atlanta (ATL)*	5	+1	=	6	13
Detroit (DTW)*	0	+3	=	3	6
Los Angeles (LAX)*	0	+5	=	5	0
New York (LGA)*	0	+5	=	5	8
Minneapolis (MSP)*	0	+3	=	3	7
	5	+17	=	22	34

\* Southwest will serve these markets to/from Love Field.  
Source: Innovata Schedules.